

EX PARTE OR LATE FILED

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March 15, 1999

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Room TW-B204  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**EX PARTE** Re: *GTE-Bell Atlantic Merger (CC Docket No. 98-184)*

Dear Ms. Salas:

On March 12, 1999, William Barr and Steven Bradbury representing GTE met with Tom Krattenmaker of the Common Carrier Bureau in regard to the above docket. The discussed the material in the attached document entitled "Establishing a Temporary LATA To Grandfather GTE's BBN Internet and Related Services."

A confidential copy of that document has been filed with the Secretary's office and another with To-Quyen Trong pursuant to the Protective Order in this docket. Attached please find two copies of a redacted version of the same document to be placed on file for public inspection.

Please contact me if you have any questions.

Sincerely,

Alan F. Ciamporcero

Cc: To-Quyen Trong  
Tom Krattenmaker

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Redacted -- For Public Inspection

**Establishing a Temporary LATA To Grandfather  
GTE's BBN Internet and Related Services**

March 11, 1999

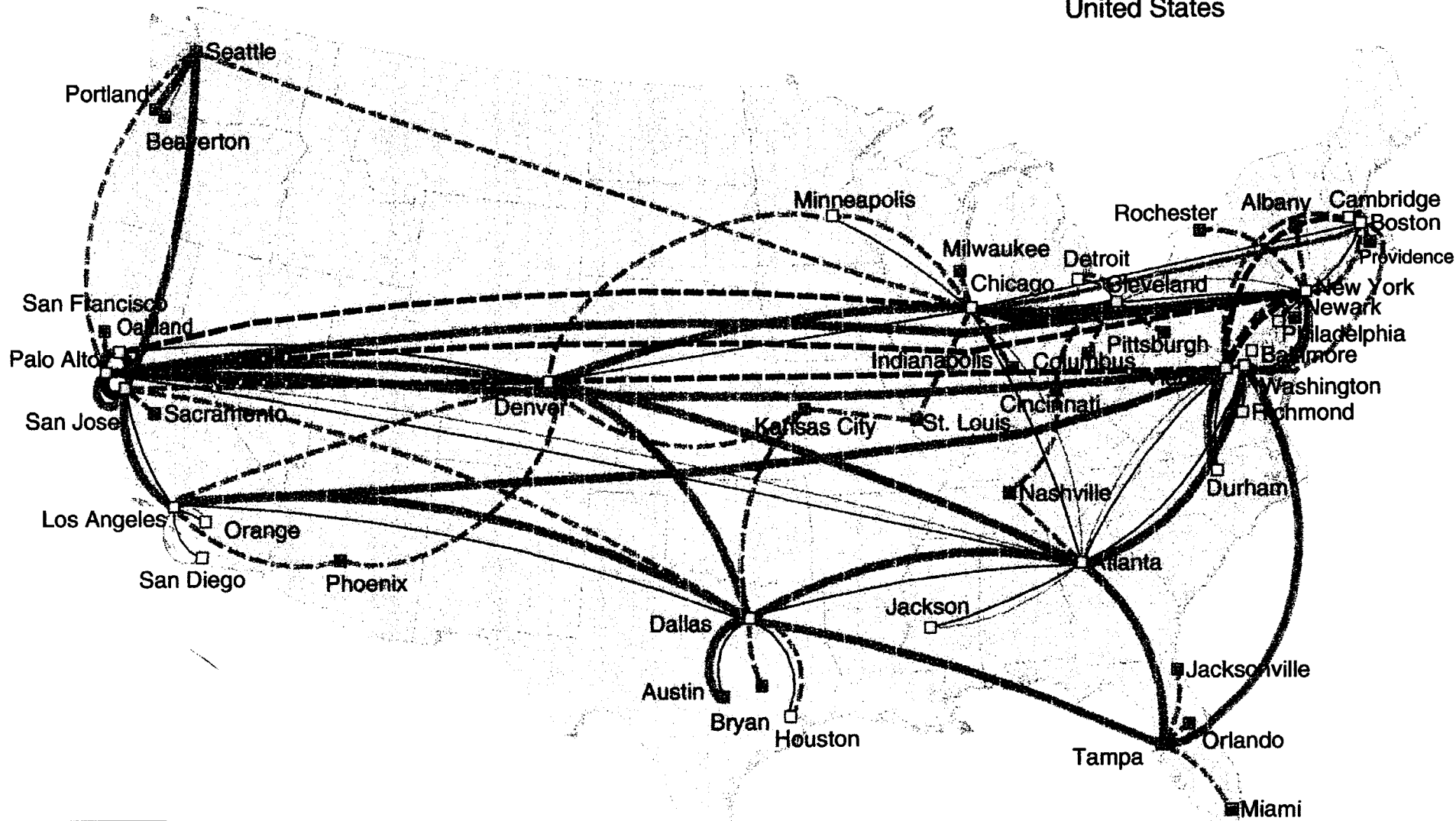


- Relief requested:
  - Temporarily establish a single LATA for BBN's existing Internet and Internet-related businesses.
- Limitations and conditions:
  - BA first must obtain 271 relief for one quarter of its lines.
  - Relief applies to BBN's existing businesses only. No marketing of voice-only products over IP where BA lacks in-region 271 authority.
  - Relief expires in two years (unless extended for good cause).
  - BBN held separate in 272 subsidiary.
  - Within 90 days of closing, GTE will exit any other interLATA business where BA lacks in-region 271 authority.

- BBN currently provides three major types of Internet services:
  - Backbone services to ISPs and end users.
  - Services that feed traffic onto the backbone (*e.g.*, Web hosting, DiaLinx (remote Internet access), intranets and extranets).
  - Data transport to and from AOL's major hub in Reston, Virginia.
- The Internet and BBN grew up without regard to LATA boundaries. *See* BBN Map.
- BBN cannot now be made to operate within the constraints of LATAs.
  - Internet products require ubiquity (*e.g.*, remote Internet access sold to business customers).

GTE Internetworking

## Network Backbone United States



INTERNETWORKING  
POWERED BY BBN

150 CambridgePark Drive Cambridge, MA 02140  
800.472.4565 Web: <http://www.bbn.com> E-mail: [net-info@bn.com](mailto:net-info@bn.com)

Infrastructure map represents intended buildup of the future GTE  
Internetworking backbone scheduled for completion by year end 1999.  
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As of Q398	End of 1999
— DS-3 (s)	— DS-3 (s)
- - - OC-3 (s)	- - - OC-3 (s)
▬ OC-12 (s)	▬ OC-12 (s)
□ T3 PoP	■ Future PoP

**Proposal  
Description**

- Transitional relief is appropriate for three reasons:
  - First, relief preserves competition in the backbone market and avoids customer disruption.
  - Second, relief does not implicate the 271 concern that premature BOC entry could harm interLATA competition.
  - Third, relief does not weaken (and in fact strengthens) BA's incentives quickly to comply with the 271 checklist.



## **Preserving a Competitive Backbone Market**

- DOJ recognized threat to backbone market in the MCI/WorldCom merger.
- The backbone market has become more concentrated since. *See Figures 1-3.*
- Since 1997, WorldCom has acquired:
  - UUNet (through acquisition of MFS)
  - ANS (the AOL backbone network)
  - CNS (the CompuServe backbone network)
  - GridNet
  - Verio (substantial stake)
  - EUNet
- Since last year, AT&T has:
  - **REDACTED**
  - Acquired CerfNet (through TCG acquisition)
  - Announced acquisition of IBM Global Network
  - Announced acquisition of 71% voting interest in @Home backbone (through TCI acquisition)
  - Moved into number two position behind WorldCom
- Since taking over operation of MCI's Internet business in October 1998, Cable & Wireless has:
  - **REDACTED**
  - **REDACTED**
  - Lost numerous accounts to AT&T and others
- BBN remains an independent competitive force, **REDACTED**

**REDACTED**

**REDACTED**

**REDACTED**

**Preserving GTE's Internet Business under the Terms  
Proposed Does Not Threaten Competition**

- The Internet access business is robust; incumbent LECs are small players.
- The shared network-of-networks architecture of the Internet does not raise the same concerns as traditional interLATA services because the originating carrier does not capture traffic for itself but shares it with other Internet providers.
- BBN's affiliation with GTE did not harm competition. BBN's affiliation with Bell Atlantic for 2 years prior to full 271 approval won't either.

## **Continued Strong Incentives To Meet the Checklist**

- Conditions enforce 271 incentives.
  - BA must have 25% of lines 271-qualified by closing.
  - BA must complete the 271 process in all states within 2 years.
- The vast bulk of the 271 opportunity remains forbidden until BA meets the checklist.

- A rough estimate of total Internet backbone revenues is \$4.6 billion

**REDACTED**

Traditional long distance revenues are \$99 billion.

- Until BA obtains 271 relief, BA will continue to be disadvantaged against competitors providing a full complement of bundled services.

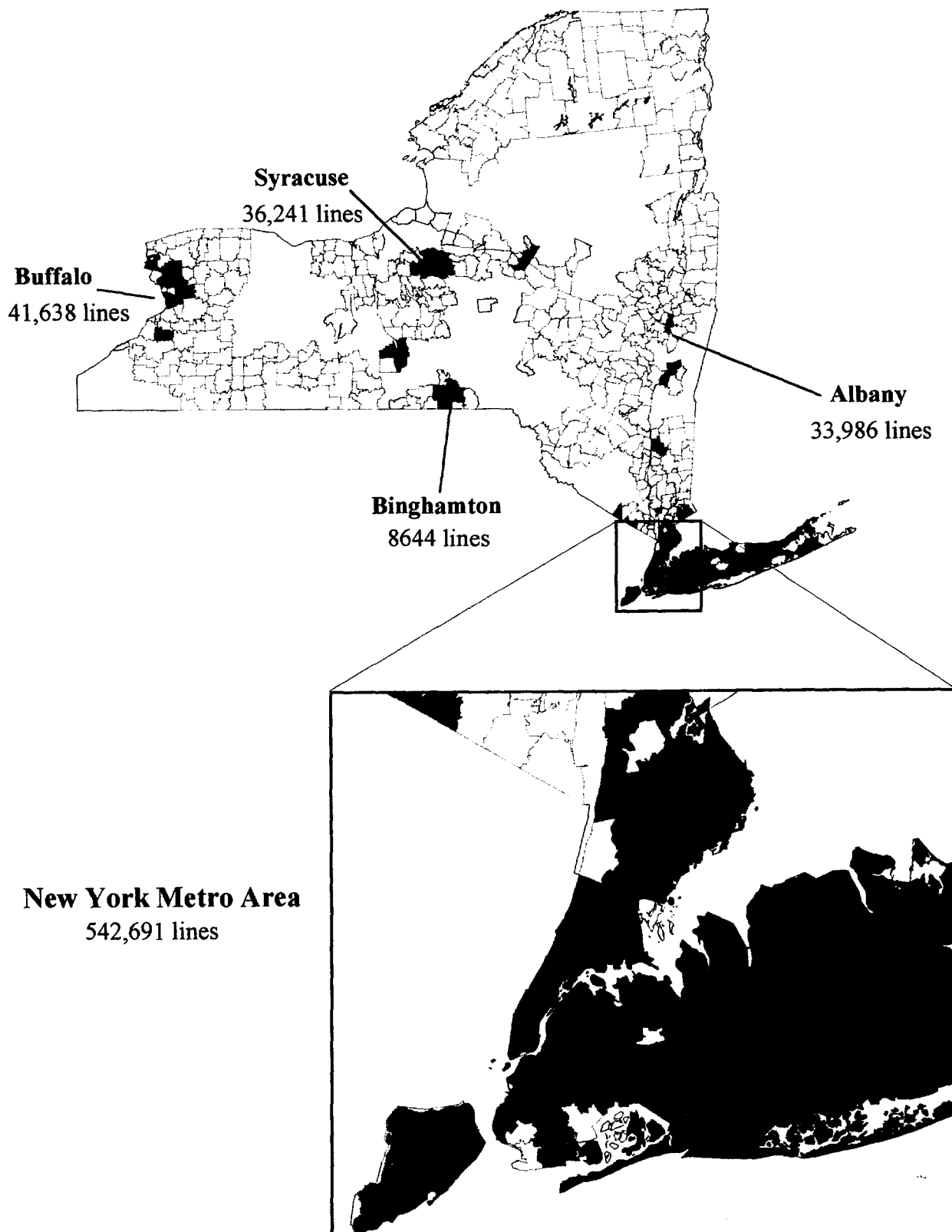
BA Making Significant  
Progress Toward 271  
Approval

- BA near to filing first approvable 271 application.
- NY market irreversibly open. *See* Map 1 and Figures 4 & 5.
- Electronic OSS interfaces in place to handle commercial volumes.
  - BA receives over 99% of orders electronically.
  - Flow-through capability in place for a high percentage of orders compared to retail equivalents (89% of resale; 86% of UNEs (except listings); 93% of platform).
  - BA performance on CLEC orders that fall out for manual handling is as good as or better than on orders that flow through.
  - BA is processing up to 2000 orders per day, and KPMG tests confirm that BA can handle much more (finished volume tests of 5000, 5000, 7500 orders per day).
- KPMG test almost finished.
- To date, Bell Atlantic has spent \$1 billion and devoted 1000 employees to implement the checklist.
- Other BA states to follow shortly.

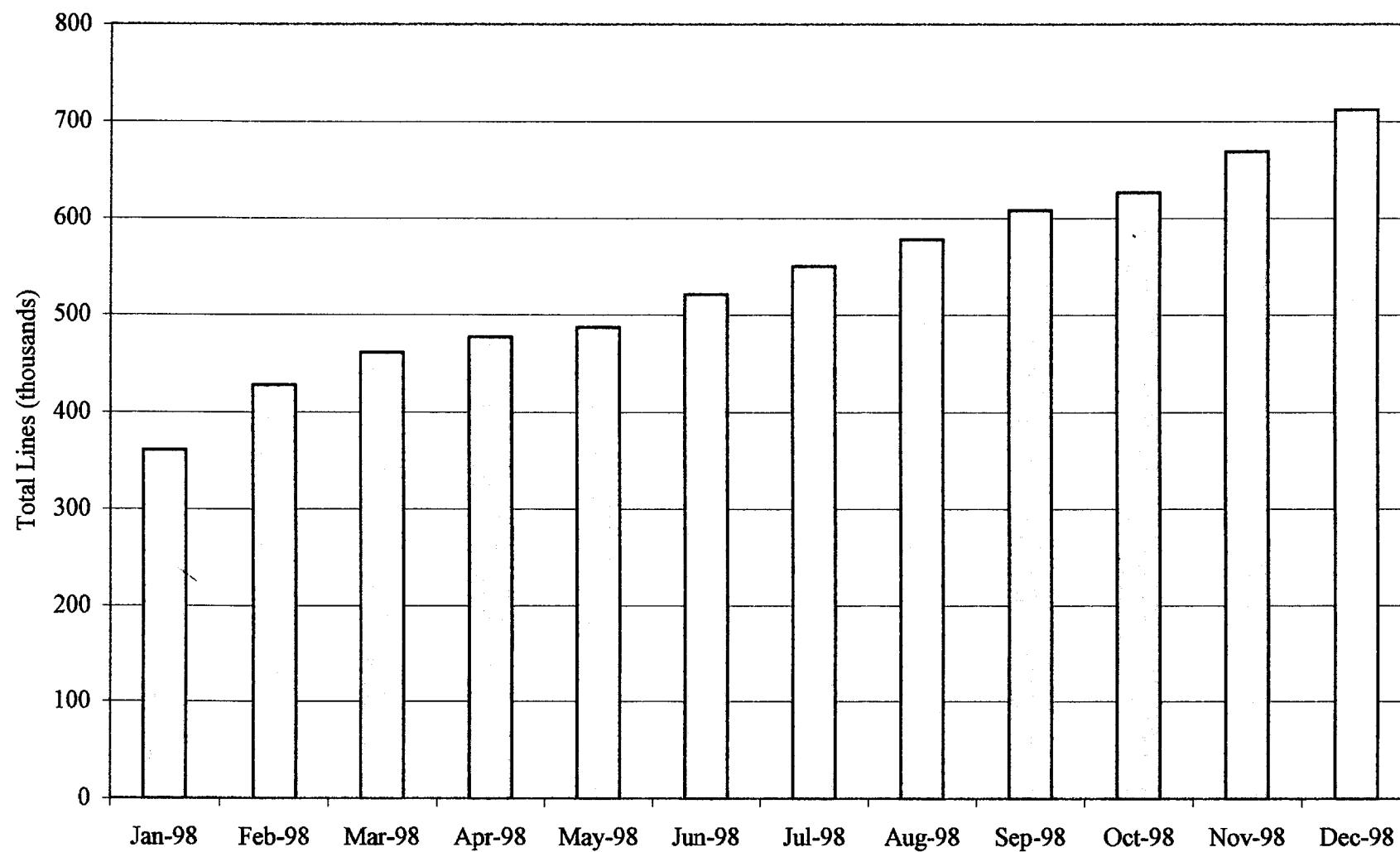


# Map 1. Local Competition in New York

Facilities-Based and Resale Lines = 663,200



**Figure 4. New York Competitive Line Growth**



1996 Act  
271 Checklist

## Figure 5. Competition and Bell Atlantic's Compliance Since the 1996 Act

1. Interconnection	⇒	Interconnecting carriers serving nearly 400,000 facilities-based lines; signed agreements with 51 facilities-based wireline carriers; 332 collocation nodes
2. Unbundled Network Elements	⇒	Bell Atlantic provides all 7 elements previously defined by the FCC and more. NYPSC has established UNE rates based on TELRIC methodology (Case 95-C-0657)
3. Poles, Ducts, Conduits, RoW	⇒	814,486 pole attachments; 678 conduit duct miles licensed (does not include Empire City Subway conduit access)
4. Local Loops	⇒	56,164 total loops, including 28,742 unbundled loops plus 27,442 loops provided as part of platforms
5. Transport	⇒	257,390 total trunks, including 47,328 trunks from CLECs to BA and 210,062 trunks from BA to CLECs
6. Switching	⇒	27,442 of both unbundled local and unbundled tandem switching ports, provided as part of platforms
7. 911/E911/DA/Operator Services	⇒	13 CLECs purchasing Directory Assistance via 38 DSIs; 8 CLECs purchasing Operator Services via 38 DSIs; 17 CLECs obtaining 524,848 E911 listings
8. White Pages	⇒	29 CLECs and 64 resellers purchasing directory listings
9. Numbering Administration	⇒	731 NXX codes
10. Databases/Signaling	⇒	Millions of TCAP messages exchanged with CLECs
11. Number Portability	⇒	78,567 numbers ported (43,027 via LNP)
12. Dialing Parity	⇒	IntraLATA presubscription completed 1Q96
13. Reciprocal Compensation	⇒	1.3 billion minutes of traffic exchanged each month with CLECs
14. Resale	⇒	189,030 (Business); 59,097(Residential)

**The FCC Has Legal  
Authority**

- The FCC has authority to establish or modify LATAs.
- Section 3(25) of the Act defines LATA to mean “a contiguous geographic area --
  - (A) established before the date of enactment of the Telecommunications Act of 1996 by a Bell operating company such that no exchange area includes points within more than 1 metropolitan statistical area, consolidated metropolitan statistical area, or State, except as expressly permitted under the AT&T Consent Decree; or
  - (B) established or modified by a Bell operating company after such date of enactment and approved by the Commission.”
- In its *Advanced Services Order*, the FCC concluded it has legal authority under section 3(25) to establish new LATAs or modify existing LATAs on a targeted basis, provided it does not undermine a Bell company’s incentives to meet the 271 requirements.

- The FCC has at least as much power to establish LATAs for new services as Judge Greene. Judge Greene, while steadfast in resisting “premature” interLATA relief, repeatedly established special LATAs for nontraditional services or to grandfather existing serving arrangements:
  - In 1983, Judge Greene approved LATAs crossing state lines that were minor in scope and “necessary to avoid service disruption and rearrangement costs.” Judge Greene also grandfathered time & weather services delivered across LATA boundaries.
  - From 1983 to 1995, Judge Greene allowed mobile services LATAs of increasing size. Congress codified and expanded the mobile exemption in 271(g)(3).
  - In 1990, the Justice Department offered to support temporary LATA waivers for delivery of SS7 packet data signaling. Congress codified and expanded the signaling exemption in 271(g)(5) & (6).
  - In 1990, the D.C. Circuit said there was “a powerful argument for a waiver” to offer database services across LATAs. Congress codified and expanded the database exemption in 271(g)(4).
  - In 1994, Judge Greene allowed national delivery of video and audio programming. Congress codified and expanded the programming exemption in 271(g)(1).